Creating a more dynamic and resilient economy inquiry

Questionnaire response 28

Name: Cement Industry Federation

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1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

Clinker, produced from limestone in a high-temperature process, is the main ingredient in Portland cement (cement). Cement is key ingredient (binder) in concrete.

Integrated clinker and cement production in Australia is carried out by Cement Industry Federation (CIF) member companies at five key locations - Gladstone (QLD), Berrima (NSW), Railton (TAS), Birkenhead (SA) and Angaston (SA). CIF members produce both clinker and cement at these facilities as well as stand-alone grinding mills, while also importing clinker and cement. A number of non-CIF member companies import clinker to produce cement as well as importing cement directly.

In 2024 Australian manufacturers produced 5.1 million tonnes (mt) of clinker and 9.6 mt of cement. Over the same period, according to the Australian Bureau of Statistics, 3.9 mt of clinker and 1.2 mt of cement were imported – representing 43 per cent and 11 per cent of domestic consumption respectively.

Such high levels of clinker imports are almost unique to Australia, as clinker production in a country typically increases to match consumption. This has not been the case in Australia for a number of reasons, including:

• The significant investment required to build a new facility in Australia – both in terms of equipment and non-equipment (labour, approvals, local engineering etc.) costs.

• An excess of clinker (and increasingly cement) production in the Asia pacific region (i.e. Japan, Indonesia, Thailand and Vietnam)

• The relatively low cost and availability of international shipping coupled with the comparatively high cost of coastal shipping in Australia

• The rapidly increasing cost of energy (Australian kilns are dependent on coal or gas to reach the high temperatures required for calcination)

• Uncertainty around climate and energy policy over the last decade or more

• The increasing costs associated with Australian climate policy – most notably the reformed Safeguard Mechanism – which requires facilities to reduce their emissions by up to 4.9 per cent per annum out to 2030.

Without a Border Carbon Adjustment to create a level playing field with imports that are not subject to similar carbon costs faced by Australian producers, it is likely that domestic production will decline in favour of increased imports.

Another area of significant concern to our members are the duplicative and lengthy environmental approval processes – specifically in terms of requirements under the Environment and Biodiversity Conservation (EPBC) Act at the Federal level coupled with State and Territory (and even Local Council) environmental legislation and approvals.

Changes to the EPBC Act as well as the proposed creation of Environment Protection Australia (EPA) and Environment Information Australia (EIA), have the potential to add unnecessary complexity and potential duplication to existing regulatory processes.

Most importantly, the potential inclusion of a climate trigger into the EPBC Act would have fundamental consequences for the Australian cement manufacturing sector, as well as the Australian economy, through its impact on the assessment of all future major projects. This is already addressed through existing legislative structures, such as the Safeguard Mechanism and National Greenhouse and Energy Reporting Scheme.

The proposed reforms of EPBC Act will be a significant undertaking and must include a strong focus on removing duplication and reducing approval times, whilst at the same time acting to protect Australia's unique environment.

It is important that any proposed changes to EPBC Act are balanced between better outcomes for the environment and supporting economic growth, investment and job creation.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

Put simply, there are too many taxes that drag heavily on the economy and lead to significant distortions in the efficient allocation of resources. The Government should be looking at holistic and ambitious tax reform in conjunction with the States to enhance productivity and remove many of these taxes.

The key findings of the 2009 Henry Review still hold, namely:

• Australia has too many taxes and too many complicated ways of delivering multiple policy objectives through the tax and transfer systems. The capacity of the legislative and operating platforms of these systems, and their human users, to deal with the resulting complexity has been overreached. The tax and transfer architecture is overburdened and beginning to fail in dealing efficiently and effectively with multiplying policy goals and demands. Rationalisation of the tax and transfer architecture should now be a strategic priority. Key directions:

o Revenue raising should be concentrated on four robust and efficient tax bases:

 personal income, assessed on a more comprehensive base;
 business income, with more growth-oriented rates and base;
 private consumption, through broad, simple taxes; and
 economic rents from natural resources and land, on comprehensive bases, noting that revenue from rent taxes will likely be more volatile than from the existing resource royalties it will replace.

Other taxes should be maintained only if they efficiently address social or economic costs.

Recommendation 27 of the Henry Review is to reduce the Corporate Tax rate to 25 per cent (already in effect for small businesses). The CIF strongly supports this recommendation. Other recommendations of the Kennedy Review should also be revisited and considered by the Australian Government.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

No comment.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Examples of areas of regulation that do (or could) enhance business dynamism and resilience include:

- Recognition of the hard-to-abate nature of cement manufacturing via the Trade Exposed Baseline Adjustment (TEBA) measure in the Safeguard Mechanism. These regulations aim to limit the cost impact of the SM for hard-to-abate sectors that can demonstrate the impact and should allow time for the development of step-change emissions abatement options expected in the next decade. However, these regulations do significantly increase the audit and reporting burden.

- The introduction of a Border Carbon Adjustment would ensure that importers of clinker and cement are subject to similar carbon costs as domestic producers through the Safeguard Mechanism – creating a more level playing field from a climate policy perspective.

- Regulations aimed at reducing waste to landfill and promoting the use of suitable non-recyclable secondary materials as co-processed alternative fuels for cement manufacturing (energy and material recovery, not incineration) to replace coal and gas. These regulations, including waste levies, must be coupled with suitable environmental approvals and permitting to ensure that globally recognised technologies can be used in Australia.

- Regulations aimed at supporting circular economy initiatives, including through the identification and removal of barriers as well as minimising red and green tape.

- Proposed reforms to harmonise inconsistent regulations, standards and specifications across states and that pose barriers to circularity – specifically for critical material inputs for the built environment – including cement, concrete, and supplementary cementitious materials.

2. How has your regulatory burden changed over time?

Large corporate entities are facing significantly increased requirements to be a compliant tax resident, both in terms of time and cost. These arise from the frequent legislative

changes and the high standard of documentation required. Large companies are expected to monitor and adapt to legislative and administrative changes, often with little lead time and sometimes with changes that apply retrospectively (such as the thin capitalisation amendments which were implemented with a retrospective start date).

In addition, reporting for cross border transactions are time consuming and resource intensive. These include transfer pricing documentation, country by country reporting, and hybrid mismatch assessment. The tax authority acknowledges that the expectation for tracing, substantiating and record keeping may be very difficult to attain but leave it up to the taxpayers to figure out.

The cement industry is undergoing significant changes as it adapts to sustainability initiatives, driven by both regulatory pressures and a growing demand for environmentally responsible, and sustainable practices and products. In general, the regulatory burden has increased over time for our sector.

Some further examples are included below:

- Climate and energy reporting (NGERS) – including entity level audited data

- Safeguard Mechanism – facility level audited data, which is further increased for those applying for Trade Exposed Baseline Adjusted (TEBA) status.

- Climate-related financial disclosure requirements now in place in Australia – while some jurisdictions (e.g. EU, California) have delayed disclosure to allow capacity building (e.g. EU's 'stop the clock' (Apr 2025) directive aimed at significantly reducing the sustainability reporting and regulatory burden on companies)

- Coastal shipping cabotage regulation (which has increased Australian cement manufacturing transport costs by up to 16%)

- Environmental Reporting in general (e.g. the National Pollutant Inventory, state/territory EPA monitoring and compliance reporting, as well as increased reporting around packaging)

- The NSW Government introduced legislation in 2012 with respect to the public reporting of environmental monitoring data for all operations holding an Environmental Protection Licence (EPL). If an EPL includes monitoring as a licence condition, the holder must publish or make available data relating to pollution within 14 days of obtaining that data.

- NSW load-based licencing sets limits on the pollutant loads emitted by holders of environment protection licences and links licence fees to pollutant emissions (based on an annual return) – currently under review.

- Increased regulatory requirements and expectations as a result of residential encroachment.

- Time taken to receive approvals has increased and, as a result, productivity has declined.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

See above.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

1) An example of where a regulator could do more to reduce the regulatory burden on business is the NSW EPA Guide for Large Emitters, which provides guidance on how to prepare a greenhouse gas assessment as part of NSW environmental planning processes.

The requirements as set out in the Guide for new projects or project modifications to an existing facility resulting in 'large' emissions are unnecessarily onerous – particularly from the perspective of hard-to-abate sectors such as cement and lime who are already subject to extensive reporting, verification and emissions reduction requirements via National Greenhouse Reporting scheme (NGERs) and the Safeguard Mechanism.

The approach by the NSW EPA has the potential to stifle innovation and investment at a time when significant technological advancements will be required for our sector to contribute to Australia's emission reductions goals and achieve our sectors stated goal of net-zero by 2050.

The NSW EPA has responded to comments and made changes since the consultation draft was released in late 2024. The final version of the NSW EPA Guide for Large Emitters (January 2025) does now recognise that goals 'for facilities covered by the Safeguard Mechanism should start with the Safeguard Mechanism baseline and then consider setting more ambitious reduction goals as practicable.'

This highlights a key point that will also be raised in the context of Pillar 5, in that there is a disparity between national and state/territory approaches to emissions reduction and target setting – which in turn leads to differing levels and types of legislation/ regulation depending on the level of ambition of the jurisdiction.

State/Territory-based legislation and measures should be cognisant of and, where possible, aligned with federal climate policy and measures – specifically the Safeguard Mechanism, which recognises the importance of nationally strategic, hard-to-abate industries such as cement and has taken steps to minimise the impact until such time as the required emissions reduction technologies are available.

The CIF supports Governments actively working to promote a consistent and integrated approach to industry, environment, climate and energy policy – and associated measures – across all Australian jurisdictions. Minimising the regulatory burden through a coordinated and streamlined approach must be a key goal of all jurisdictions.

2) The Clean Energy Regulator (CER) administers Australian Government schemes such as the National Greenhouse and Energy Reporting Scheme (NGERS), Safeguard Mechanism, Australian Carbon Credit Unit Scheme, Large-scale Renewable Energy Target, Small-scale Renewable Energy Scheme and Nature Repair Market.

The CER maintains a regular engagement with those industries, including the cement sector, that have to report under NGERS and comply with the Safeguard Mechanism requirements.

While the reporting and compliance burden under these regulations is extensive, it is the CIF's experience that the CER at least understands the issues around regulatory burden and takes action to reduce this wherever possible.